

West Virginia Informational Letter 45-B

May 1993

TO: ALL COMPANIES LICENSED TO WRITE PROPERTY AND CASUALTY
INSURANCE IN WEST VIRGINIA

RE: DISAPPROVAL OF POLICIES BY LIENHOLDERS DUE TO LACK OF
A.M. BEST RATING, § 33-11-5(b)(2) OF THE WEST VIRGINIA CODE

This informational letter is intended to supersede the Insurance Commissioner's previous Informational Letter 45-A.

Informational Letter 45-A (issued November, 1992) interpreted § 33-11-5(b)(2) of the West Virginia Code and concluded that "henceforth it will be the position of the West Virginia Insurance Commissioner that the use of the A.M. Best Rating Guide is not in violation of the requirements of § 33-11-5(b)(2) of the West Virginia Code, so long as it is uniformly and fairly applied."

It has come to our attention that it has become an industry practice for lending institutions to use not only the A.M. Best Rating, but also rating guides of their companies considered to be equivalent to the A.M. Best Rating, to determine the financial soundness of an insurer. It has further come to our attention that Federal Government agencies are allowing the use of insurers with a specified A.M. Best Rating, or a specified rating of a rating company which is considered equivalent, where mortgages are underwritten by federal funds.

Therefore, henceforth it will be the position of the West Virginia Insurance Commissioner that the use of the A.M. Best Rating Guide and other rating guides of companies accepted as equivalent is not in violation of the requirements of § 33-11-5(b)(2) of the West Virginia Code, so long as they are uniformly and fairly applied.

Hanley C. Clark
Insurance Commissioner of
the State of West Virginia